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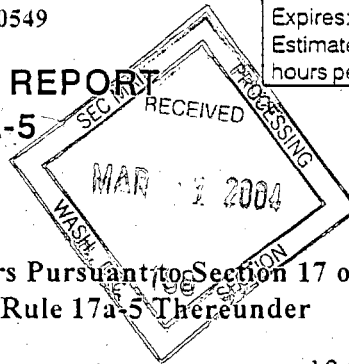
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

UF 3-11-04 TR

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER  
8- 21570

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2003 AND ENDING 12/31/2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Vanguard Marketing Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Vanguard Financial Center

(No. and Street)

Malvern

PA

19355

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Thomas J. Higgins

610-669-1000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers, LLP

(Name - if individual, state last, first, middle name)

Two Commerce Square, Suite 1700; 2001 Market Street; Philadelphia, PA 19103

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 25 2004

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Thomas J. Higgins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Vanguard Marketing Corporation, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

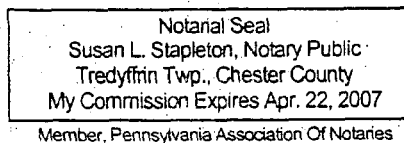
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Thomas J. Higgins  
Signature

CFO of Vanguard  
Title

Susan L. Stapleton  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**Vanguard Marketing Corporation**  
(a wholly-owned subsidiary of  
the Vanguard Group, Inc.)

**Statement of Financial Condition**

**December 31, 2003**

## Report of Independent Auditors

To the Board of Directors and Stockholder of  
Vanguard Marketing Corporation

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Vanguard Marketing Corporation (the "Corporation") at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Corporation's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this financial statement in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 4, The Vanguard Group, Inc., the Corporation's parent company, is compensated for providing the Corporation with all facilities, personnel and equipment and assuming all expenses to conduct the operations of the Corporation. Because of this relationship, it is possible that the terms of the Corporation's transactions with its parent company are not the same as those that would result from transactions among wholly unrelated parties.

*PricewaterhouseCoopers LLP*

February 25, 2004

**VANGUARD MARKETING CORPORATION**

(a wholly-owned subsidiary of  
The Vanguard Group, Inc.)

**STATEMENT OF FINANCIAL CONDITION**

	December 31, 2003
<b>ASSETS</b>	
Cash	\$ 1,000,000
Securities owned, at fair value	194,654
Receivable from broker	1,116,286
Total assets	<u>\$ 2,310,940</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	
Liabilities:	
Securities sold, not yet purchased	13,816
Due to The Vanguard Group, Inc.	1,297,124
Total liabilities	<u>1,310,940</u>
Shareholder's equity:	
Common stock (\$.10 par value, 1,000 shares authorized, issued and outstanding)	100
Additional paid-in capital	999,900
Total shareholder's equity	<u>1,000,000</u>
Total liabilities and shareholder's equity	<u>\$ 2,310,940</u>

The accompanying notes are an integral part of these financial statements.

## **VANGUARD MARKETING CORPORATION**

(a wholly-owned subsidiary of  
The Vanguard Group, Inc.)

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

#### **NOTE 1 - INCORPORATION AND OPERATIONS:**

The Vanguard Group, Inc. ("Vanguard"), the parent company, initially formed Vanguard Marketing Corporation ("the Corporation"), a Pennsylvania corporation, to facilitate compliance with regulatory requirements of certain states in which shares of the funds in The Vanguard Group of Investment Companies are offered. The Corporation is a registered broker-dealer and member of the National Association of Securities Dealers, Inc. The Corporation also provides brokerage services as the introducing broker to customers of Vanguard, under the name Vanguard Brokerage Services. The Corporation acts solely in an agency capacity and does not buy or sell securities for its own account. Under the terms of an agreement, the Pershing Division of The Bank of New York Company, Inc. ("Pershing") serves as the fully disclosed clearing broker for the Corporation.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The following significant accounting policies are in conformity with accounting principles generally accepted in the United States of America for brokers and dealers in securities. These policies are consistently followed by the Corporation in the preparation of its financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## VANGUARD MARKETING CORPORATION

(a wholly-owned subsidiary of  
The Vanguard Group, Inc.)

### NOTES TO FINANCIAL STATEMENTS

(continued)

#### NOTE 3 - SECURITIES OWNED:

Securities owned and securities sold, not yet purchased consist of securities valued at fair value. Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Securities for which quotations are not readily available are valued at fair value as determined by the board of directors. Such securities are held solely to facilitate customer order execution. The difference between cost and fair value is included in commission revenue. At December 31, 2003, securities consisted of:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
Corporate stocks and bonds	\$ 56,299	\$13,816
Shares of mutual funds	<u>138,355</u>	<u>-</u>
	<u>\$194,654</u>	<u>\$13,816</u>

#### NOTE 4 - RELATED PARTY TRANSACTIONS:

The Corporation compensates Vanguard for the use of facilities, personnel, equipment and the assumption of all of its expenses in an amount equal to the Corporation's net commission and other revenue.

#### NOTE 5 - NET CAPITAL REQUIREMENTS:

The Corporation is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Corporation had net capital of \$930,262, which was \$680,262 in excess of its required net capital of \$250,000. The Corporation's ratio of aggregate indebtedness to net capital was 1.39 to 1. The Company is exempt from the SEC's Customer Protection Rule ("Rule 15c3-3"). Section (k)(2)(ii) of Rule 15c3-3 allows for this exemption. Pershing carries all customers' accounts and clears all securities transactions for the company on a fully-disclosed basis. The Company promptly transmits all customer funds and securities to Pershing on a timely basis.

## **VANGUARD MARKETING CORPORATION**

(a wholly-owned subsidiary of  
The Vanguard Group, Inc.)

### **NOTES TO FINANCIAL STATEMENTS**

(continued)

#### **NOTE 6 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:**

The Corporation clears all of its securities transactions through Pershing on a fully disclosed basis. The Corporation is responsible for certain losses associated with transactions with the clearing broker, including losses related to failure of customers to meet contractual margin debt requirements. The Corporation seeks to control the risk of loss by requiring customers to maintain margin collateral in compliance with various guidelines. The Corporation monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary. At December 31, 2003, total margin debt was \$79,583,015. These transactions are collateralized by customer securities with a market value of \$952,236,368 at December 31, 2003.

#### **NOTE 7 – CONTINGENCIES**

In the normal course of business, Vanguard may provide general indemnifications pursuant to certain contracts and organizational documents. The maximum exposure under these arrangements is dependent on future claims that may be made against the Company and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.